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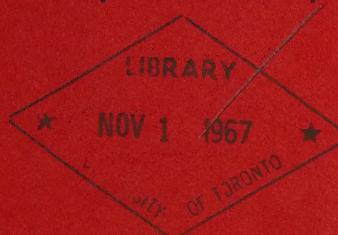


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## I. INTRODUCTION

This paper outlines an approach to regional economic planning. Its purpose is to sketch the substantive elements in the planning process and some of its administrative and organizational aspects in the Canadian state.

The terms "regional" and "economic planning" are no longer as strange as they once were and do not require elaborate explanations. Yet, their meaning is not so precise that one can assume they are devoid of ambiguities and evoke a common understanding. It might be wise, therefore, to begin with some clarification of how these terms are used in this paper.

It is virtually impossible to provide a definition of a region which will serve all occasions because regions are arbitrary geographical designations whose character is largely determined by the purposes for which they are created and the context in which they are set. For example, the character of a region will vary with the nature of the problem being confronted - the development of regional river systems and the achieving of equilibrium in regional labour markets will require different geographical delineations. Further, the jurisdiction of the political authority dealing with the problem will determine the size and nature of a region. A region that could be created by the national government may be different from one that could be created by a provincial government. Also, for any given problem and in any given jurisdictional context, the character of a region can alter as the functional relationships between its constituent parts change - for example, with improvements in transportation, distances are shortened and larger and more diverse geographical areas are tied together. Thus regions can be synonymous with provinces, or they can be groups of provinces, parts of a province, or parts of several provinces.

For purposes of this paper, regions are geographical areas designated as objects for some proposed action by a political authority, or combination of authorities, with power to take that action. The nature of the power - whether it be a statute or an exchange of letters - is not crucial to the concept of a region. The methodology of planning is not dependent on the nature of a region. The suggested model, so to speak, is a general model.

By "economic planning" is meant the formulation of a set of comprehensive and coherent proposals for action, their arrangement in some order of priority and their scheduling over time, directed toward the attainment of some given goals. 1

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1. In this paper the words "goals", "targets" and "instruments" are used. The meanings ascribed to them are arbitrary; their only virtue is that they attempt to differentiate separate concepts. "Goals" are statements of social purpose. "Targets" are economic objectives expressed in concrete operational terms. "Instruments" are specific policies and programs (which need not be differentiated in this paper) designed to achieve the targets.

The given "goals" are the point of departure for the planning process. Planning is the translation of these goals into operational policies and programs. The goals themselves are derived from philosophical premises and are articulated in the political process, in its various manifestations, as expressions of what people value. It is important to emphasize this point, because the failure to recognize it gives rise to a common criticism of planning: namely that no planner can know as well as the people themselves what the people want. The criticism is irrelevant. Goals are not formulated in the planning process; they form the frame of reference for the process. Planners may clarify goals, point out inconsistencies or express them, as often has to be done in a form that makes it possible to plot courses of action to achieve them. But planners are not the interpreters of the public will which a statement of goals reflects.

Two further points should be made. The means of achieving economic goals embrace not only economic instruments, but a wide range of other elements needed to facilitate the use of the instruments and to enhance their effectiveness. These include: social policies; administrative structures; legal arrangements.

The second point is that regional goals, and consequently regional targets and instruments, should not constitute a separate set divorced from or inconsistent with national goals, targets and instruments. The point is rather that there are some actions that have a particularly regional relevance and can be sorted out on these grounds. The formulation of such actions, it is suggested, is the subject of regional planning.

## II. ECONOMIC GOALS

A generalized statement about regional goals should include at least three groupings:

- (a) those relating to absolute improvement - e.g. rising incomes, economic stability, "full" employment;
- (b) those relating to the achievement of greater equality of welfare and opportunity between various parts of the country; and
- (c) those relating to the most efficient use of resources and to improvements in the process of economic adjustment.

The first group of goals are indistinguishable from similar goals set for the national economy and do not present any uniquely regional issues. They are not discussed. The other groups do contain some issues that merit some discussion.

One issue related to the possible conflict between the general growth objective set for the national economy and the goal of diminishing inter-area disparities. The former assumes that national resources will be employed in their most productive uses; the latter may imply that, in the short run at least, resources will not necessarily be used where the return per unit of input is greatest but will be allocated to where unemployment is greatest. Differences of opinion

exist as to how much national growth ought to be sacrificed (where sacrifices are involved) for greater inter-regional equality or to meet local interests. While it might be agreed that all Canadians have a right to a job, it may not be agreed that everyone has a right to work in the precise location of his choosing. At one extreme, it is reasonable to expect that Canadians can expect to work at jobs in Canada. At the other extreme, it is difficult to justify the creation of jobs in areas which have no chance of achieving economic viability at all. Somewhere in between a line has to be drawn; where, is the issue.

A second issue relates to how much tampering with the forces contributing to resource mobility is acceptable. Theoretically, as employment and income decline in an area, the relatively better conditions in other areas will attract the unemployed and underemployed resources, including manpower. Some argue that by diminishing the differential between areas through subsidizing employment and income, resource mobility is reduced; they advocate the minimum use of such measures. Others reject this argument on two grounds: (a) the difference in economic potential between areas does not always work in this way because of a variety of rigidities - particularly with respect to the labour market. Many will accept unemployment and low income before they will decide to tear up their roots; (b) the price that has to be paid to give these forces free play, in terms of human suffering, is too high. Either the forces themselves should be mitigated by outright welfare payments or by subsidizing a less than best use of resources in the area, or since society as a whole benefits from the adjustment, it should accept part of the cost of adjustment. Whether, to what extent, and in what way society should interfere with these forces is another policy issue to be decided.

Doubtless, there are other issues but this will suffice. Once these issues are resolved and a set of goals enunciated, by what process are they translated into plans for action? That is, what is the process or methodology of economic planning?

### III. THE METHODOLOGY OF PLANNING

The process of planning should follow a series of steps from the exposure of the problems, to the formulation of proposals to solve them, roughly in the following sequence.

(1) Specific economic problems must be identified, measured, traced to their sources - their cause and effect must be understood as completely as possible. This requires intensive research into the nature of the regional economies and their projection to some horizon date in order to foresee what problems might arise in the future.

(2) The differences between the projected state of the regional economies and the more desirable state that emerges from the basic goals can then be assessed and given some concrete form. In this form the divergence of what "is" from what "ought to be" becomes the operational targets for regional planning within the time period set by the horizon date. Operational targets can take the form of, to illustrate; conditions under which the best use of resources can

be achieved (e.g. the most appropriate uses of land, training programs needed to maximize returns in these uses patterns of land tenure) - given efficiency as a goal; conditions for achieving equilibrium in regional labour markets (e.g. levels of economic activity, optimum migration) - given some prescribed level of labour force as a goal; the social capital requirements for some given level and distribution of population.

(3) Once targets are set, policies and programs - i.e. the operational instruments to achieve them - are selected on the basis of our theoretical understanding of how the economy operates and/or on the more empirical grounds of trial and error. Research and analysis, of an inter-disciplinary character, can make an important contribution here. They will not, of course, provide us with all the answers; our knowledge and skills are still inadequate.

What instruments are technically appropriate, what measures are politically possible, what the full social and economic consequences and implications of any particular act are, are questions about which a great deal more must be learned. However, the usefulness of research in the formulation of targets and instruments ought to be emphasized.

The contribution of research to policy formulation is sometimes disparaged. Admittedly the limits to its usefulness means that reliance must be placed by the policy-maker on judgement and intuition. But too often judgement and intuition are the only elements at work and public policy suffers for this.

(4) The economic targets together with the instruments designed to achieve them represent a continually changing complex that responds to changing circumstances and extensions of knowledge and understanding. Policy and program proposals are based on hypotheses about acts and their results. They are formulated and tested in the real world where they are either validated and become established; or revised or abandoned. New hypotheses are formulated and new instruments designed. The sequence repeats itself endlessly, but at each frontier our knowledge and competence is extended.

At any point in time it is possible to take a "snap shot" of the current "mix" of targets and instruments. This snap shot with the pieces arranged in some order of priority and scheduled over some period of time is as close as one can come to any significant definition of an economic plan. When the targets and policies are directed toward the solution of regional problems - whatever the nature of the region - the plan is in effect a regional economic plan. Its effectiveness, however, will in part depend on its relation to national planning. Coherence between national and regional targets and consistency between national and regional instruments is essential.

#### IV. CONSTRAINTS ON POLICY FORMULATION

A simple statement of methodology leaves unsaid many of the complications and barriers that will inevitably arise in the process of planning. Some of the more important constraints under which regional economic planning must be carried are well-known and often discussed. The following constraints are perhaps among the most compelling:

1. Constitutional. The division of powers between the federal and provincial governments means that neither level of government has complete jurisdiction over all of the elements that constitute the regional planning process. To achieve any kind of co-ordination of, and consistency between, economic policies affecting regions as the planning process seeks to do, is a formidable task which places a heavy burden on the structure of inter-governmental relations. The success of regional planning efforts will, to a large extent, depend on the effective co-ordination of plans and action between levels of government.

2. Political. Provincial boundaries by no means always coincide with "natural" regions for planning purposes. For example, in dealing with certain kinds of resources (e.g. water systems) the natural economic regions may encompass parts of several provinces. In dealing with certain kinds of programs (e.g. manpower training and employment placement or the development of transportation systems), the more natural and appropriate regions may also cut across provincial boundaries. In other cases (e.g. local resource development projects and local unemployment problems) the appropriate jurisdiction may be something smaller than the province but larger than existing local government units. The problems that these circumstances create and the search for their solutions are visible in such phenomena as New Brunswick's Community Improvement Corporations, the proposed Saskatchewan-Nelson Basin Board; the Prairie Provinces Economic Council and the notion of Atlantic Union.

3. Cultural. Canada's size, the varied ethnic origins of its people, their different histories and traditions have created significantly differentiated groups across the country. Each of these groups has strong local sentiments and close ties to its community. Among other things this has resulted in a framework of economic goals that require the stricter application of criteria of economic efficiency. It has also resulted in a reduction in the mobility of regional resources - most notably manpower. It is not particularly relevant whether regional economic policy ought to serve such interests; what is relevant is the recognition that they will shape economic policy and the need to accommodate them in formulation of economic plans.

The federal, multi-cultural and segmented character of our country may present obstacles to action that cold economic logic might suggest. Economic policies and programs that appear reasonable and necessary in the light of economic analysis may have to be significantly altered or abandoned. Where economic efficiency criteria are applied and result in social dislocation and individual hardship, appropriate action will have to be taken to reduce the burdens of adjustment without, at the same time, inhibiting the process itself to an unwarranted extent. Regional economic planning in Canada must consider all these factors not only in formulating policy but in designing the planning machinery itself.

V. ORGANIZATION FOR REGIONAL PLANNING

What kind of organization does the above suggest is necessary in order to plan and implement regional economic activities?

All levels of government must be involved in some degree in the elaboration and execution of plans for regional development. No one level of government has all the fiscal capacity or constitutional authority, or knowledge of requirements, or administrative means to do the job alone. The means and procedures for achieving coherence have to be consciously organized. Machinery will be only as effective as those who use it want it to be. The prior and prime requisites for co-ordination are a recognition of the need for it and a willingness to participate in it.

A wide range of techniques has been developed to achieve inter-jurisdictional co-operation; these need no elaboration here. However, the comment should be made that the effectiveness of co-operation between agencies in developing a comprehensive plan will depend not only on the organization for co-ordination but also on what is being co-ordinated. If the co-operation is between agencies responsible for single functions, while some consistency of plan of action might be achieved with respect to these single functions, no coherence between the many functions that regional planning covers is by any means assured. This underlines the primary importance of central planning agencies, and the need for co-operation between such agencies at each level of government.

Because the private sector will continue to be an important agent in regional development, joint consultation should be carried on also with private and semi-private institutions at all stages of the planning process from the gathering of information to the execution of the plan. The Swedish practices and more recently the "little Neddies" established in the United Kingdom in 1963, might serve as useful prototypes for involving the world of business.

Finally, because of the importance that must be attached to research and analysis at all stages of the planning process; the central planning agencies at each level of government and the organizations for inter-governmental co-operation with all have to have competent research units and should be prepared to invest in substantial research programs.



